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Assistant Executive Secretary
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550 17th Street NW
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RE: Community Reinvestment Act Proposed Rulemaking [87 FR 33884]
OCC: 12 CFR Part 25; Docket ID OCC-2022-0002; RIN 1557-AF15
Federal Reserve: 12 CFR Part 228; Regulation BB Docket No. R-1769; RIN 7100-AG29
FDIC: 12 CFR Part 345; RIN 3064-AF81

Dear friends at the OCC, Federal Reserve, and FDIC,

Thank you for giving Ceiba the opportunity to comment on the Notice of Proposed Rulemaking (NPR) that will update the Community Reinvestment Act (CRA).

We recognize all the hard work that your agencies have done and are doing to make 21st century updates to the CRA to foster community development in low- and moderate-income (LMI) communities. Ceiba and its partner organizations have worked closely with the financial institutions that you oversee and their support has been vital to our efforts to promote equitable development in Philadelphia's Barrio.

Ceiba's mission is to promote the economic development and financial inclusion of the Latino community through collaborations and advocacy aimed at ensuring their access to quality housing

Our comments come to you in the spirit of helping our country and its financial institutions, maximize the economic and social contributions of minorities, immigrants, and Limited English Proficient (LEP) populations. Ensuring that these vibrant populations have equal access to financial services and community development opportunities benefits everyone.

We will use some data about the Latino population in Pennsylvania as an example of the catalytic power of minority, immigrant, and LEP communities.

Although many Latinos in Pennsylvania (PA) struggle to overcome poverty, the community is poised for economic growth. Between 2010 and 2020, Latino population growth in PA far outpaced that of the whole state and offset declines in population of other groups. PA's population only grew 2.4% between 2010 and 2020 (about 300,000 people) while PA's Latino population grew 45.8% (about 330,000 people). In other words, the Latino share of total population change in PA was 110%. Of the 12 states with at least 1 million Hispanics, PA saw the fastest Latino population growth during the last decade, according to the Pew Research Center. In Philadelphia, total population increased 5% thanks to 27% Latino population growth.

Hispanic population growth also bolstered the economic power and global competitiveness of PA. Between 2010 and 2020, Hispanic buying power in PA grew to tenth among the states with the fastest growth in the Hispanic market (112%) according to the Selig Center for Economic Growth of the University of Georgia. Hispanic buying power increased substantially over the last 30 years in the US. Hispanic buying power accounted for 11.1% of U.S. buying power in 2020, up from only 5% in 1990. The same report found that the Hispanic market is the largest minority market in the US and continues to expand briskly. Hispanic spending power grew to \$1.9 trillion in 2020, an increase of 87% from 2010. This \$1.9 trillion in Hispanic spending power is larger than the GDP of Italy and slightly smaller than the GDP of France.

Because Hispanics tend to be younger overall than the Non-Hispanic White and African Americans neighbors, Hispanics begin forming households at a higher pace than other demographic groups. Accordingly, a study by the Urban Institute predicts that by 2040, fully 70 percent of new U.S. homeowners will be Hispanic. The 2020 State of Hispanic Homeownership Report from the National Association of Hispanic Real Estate Professionals found that Hispanics now have a 48-49% rate of homeownership, up from 47.5% in 2019. In PA, the Hispanic homeownership rate is 42.8%.

The economic power of Hispanics in PA is also manifested in its potential for further growth. PA has a large and young Hispanic population that continues to grow. While 8% of the overall population of the Commonwealth is Hispanic, 12 % of students in K-12 education are Hispanic. The Hispanic enrollment in Philadelphia's school district is 21%.

There are many more manifestations of the positive impact of Hispanics communities on Philadelphia and the Commonwealth of Pennsylvania and their potential to help our country prosper. A look at the economic power of Latinos in other states will further bolster the importance of having a more clear-eyed, more modern, more efficient CRA. It underscores the importance of including race and ethnicity data in all CRA exams. This data will highlight opportunities to help LMI communities grow and provide financial institutions roadmaps to

enhance their client base. Finally, the race and ethnic data will help financial institutions demonstrate to investors their commitment to Environmental, Social, and Governance (ESG) criteria.

Incorporating race and ethnicity data in core CRA regulations and examination procedure can be done in a manner that complements, and does not supplant, the longstanding focus on LMI communities and comports with CRA's purpose and the Equal Protection Clause of the United States Constitution. A September 2021, National Community Reinvestment Coalition research paper sets forth how including race and ethnicity data in CRA examinations, can identify and address persistent racial disparities that have direct impacts on quality of life and health outcomes on LMI communities. The report is titled: Adding Robust Consideration Of Race To Community Reinvestment Act Regulations: An Essential And Constitutional Proposal.

https://www.ncrc.org/adding-robust-consideration-of-race-to-community-reinvestment-act-regulations-an-essential-and-constitutional-proposal/#_ftn1

This data must be gathered for all financial institutions, and it should be publicly available through your agencies to maximize the positive impacts that it can have in helping financial institutions accomplish their CRA objectives and in demonstrating how they are meeting their Environmental, Social, and Governance (ESG) criteria. This includes publicly sharing data related to deposits and automobile lending. The rapid growth of ESG investment funds in recent years has led to claims that companies have been insincere or misleading in touting their ESG accomplishments. By making the data available through your agencies you bolster the good activities of the financial institutions that are doing good work.

The 21st century highlighted the importance of data as a driver to make decisions and to evaluate success. The 21st century, however, also opened the opportunity for mortgages and other financing products to originate beyond brick and mortar financial institutions in our neighborhoods. We applaud your efforts to examine lending that occurs online. Your agencies proposal to create assessment areas where a large financial institution do not have branches when it has issued 100 home loans or 250 small business loans is a good start. This proposal may result in the great majority of total lending being incorporated on exams and would therefore hold banks more accountable for serving LMI communities. However, your agencies must further ensure that online or hybrid banks have most of their loans covered by CRA exams and that such exams do not overlook assessment areas containing smaller metropolitan areas and rural counties. This is important to the Latino community of PA. Although Ceiba is most active in Philadelphia, we recognize the growth of Latino communities in other parts of the Keystone State. Hispanic population growth fueled increases in population in many smaller metropolitan areas in Pennsylvania:

- Allentown - total population up 6.6% thanks to 35% Hispanic population growth
- Reading - total population up 8% thanks to 28% Hispanic population growth
- Bethlehem - total population up 1% thanks to 21% Hispanic population growth
- Hazelton - total population up 28.4% thanks to 100% Hispanic population growth
- Lebanon - total population up 5.2% thanks to 51% Hispanic population growth
- York - total population up 2.7% thanks to 37% Hispanic population growth

Hispanic population growth was important for Harrisburg. Pennsylvania's Capital City only grew by 571 people in 2020 (1.1% - from 49,528 in 2010 to 50,099 in 2020) yet its Hispanic Population grew by 3,965 people (44.36% - from 8,939 in 2010 to 12,904 in 2020). In other words, the Hispanic population of Harrisburg accounted for 694% of the city's growth in population.

In Scranton, the positive impact of the Hispanic population on the total population growth of the Electric City was 19-fold. Scranton's population grew by 239 people in 2020 (0.3% - from 76,089 in 2010 to 76,328 in 2020). In the same period, the Hispanic population of Scranton increased by 4,679 (62% - from 7,531 to 12,210).

The size of a community often defines the size of the banks which serve it. Considering the growth of Latino communities in smaller metro areas and rural parts of PA, we respectfully urge you to eliminate the aspects of the NPR which adjust the thresholds for banks to be subject to various CRA exams. This would mean that these "lower threshold" financial institutions would no longer be held accountable by your agencies to engage in community development finance activities, be subject to service tests, or be encouraged to open branches in LMI communities. This would hurt the nascent Latino communities that are breathing new life into the older towns of Pennsylvania. This exclusion of accountability, would also exacerbate the urban rural divide in our country and lead to uneven patterns of economic development at a time when the location of businesses and homes are less metropolitan as a result of the digital economy and the remote working boom fueled by COVID-19. Please avoid having the proposed changes to CRA undermine community reinvestment in important 'micropolitan' and rural communities in our country.

The arrangements that banks and retail establishments can make today, open the market for additional opportunities for financial institutions to lend, but also create loopholes to help banks avoid scrutiny from your agencies and the public. Ceiba respectfully requests that you expand the proposed NPR to include retail lending partnerships between banks and non-banks. When a bank partners with more than one non-bank, the lending of

all the non-banks needs to be totaled together for calculating if the threshold is exceeded for purposes of creating assessment areas.

We respectfully urge you to ensure that when you finalize your rulemaking, that your assessment tests place the concept of reinvestment in LMI communities at its core. CRA was designed to end years of lending discrimination by financial institutions which resulted in racial segregation, disinvestment, and decline in lower-income neighborhoods and communities of color. These market inefficiencies are the timber that fuels the socioeconomic divide afflicting our country today.

When it comes to defining what is a community development investment by a bank, CRA should only recognize those investments that have a genuine impact on LMI communities. We appreciate that your agencies have made clear that community revitalizations activities related to affordable housing and economic development must not result in displacement of LMI populations. However, we urge you to please ensure that anti-displacement provisions are applied to all community development activities considered in your assessments. We also encourage you to prioritize long term, quality, healthy, non-profit CDC developed, affordable housing and small business projects over large public work projects like arenas, bridges, landfills, and corporate centers. Instead of expanding CRA to cover public work projects, we ask that CRA be used to encourage investments in community based nonprofits that foster income mobility and economic development in LMI communities and neighborhoods where people of color live. These investments are mutually beneficial. It builds the market for financial institutions and helps working families. A Ceiba study undertaken with the help of the University of Pennsylvania's Department of City & Regional Planning determined that, on average, every dollar of funding received by Latino nonprofits in Philadelphia generates a six dollar return on the investment. The 2018 report titled: *Impacto Colectivo* quantifies the economic impact of Philadelphia's Latino nonprofits. It found that "fifteen Latino nonprofits have leveraged \$86 million in government grants to sustain 4,160 local jobs, generate \$222 million in wages and salaries, build 1,333 new homes, and rehab nearly 10,000 housing units. While the full benefits of these investments are incalculable, they are collectively worth at least \$517 million." We welcome the opportunity to work with your agencies to further the crafting of strong community development finance tests that include impact reviews to evaluate the effectiveness of community development activities that support community based organization led projects over public works.

Measuring the efficacy of bank activities to meet their CRA's obligations must include assessing their effectiveness in meeting the financial literacy needs of LMI families. CRA was created by Congress to focus on historically redlined communities and the impact of discrimination on generations of LMI families and people of color. Accordingly, to receive CRA credit for their activities, banks must provide financial literacy and housing counseling activities focused on serving LMI families and people of color. To do otherwise is to

worsens the problem for which the act was created to address. Giving CRA credit for all financial literacy activities, even for the relatively wealthy, is an affront to what CRA stands for. Please protect the integrity of your CRA work.

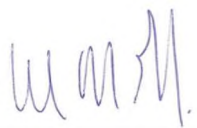
As a Volunteer Income Tax Assistance (VITA) site Ceiba appreciates that the NPR kept intact CRA's recognition of free income tax preparation services as an important asset-building tool for LMI families. Thank you for continuing to grant favorable consideration in the investment test to financial institutions that support free tax preparation efforts in LMI communities. Ceiba uses free tax preparation as a gateway to asset-building. Taxes provide a window to a family's finances and Ceiba uses that vista to help families connect with housing counselors, receive financial literacy, and access public benefits and other support programs that lift people out of poverty.

The more precise CRA exams and ratings are the more effective your work will be in bolstering bank reinvestment activity in LMI communities. Accordingly, we exhort you to protect CRA from ratings inflation. A May, 2020, report from the National Community Reinvestment Coalition found that about 98% of banks pass their CRA exams on an annual basis with just less than 10% receiving an Outstanding rating and almost 90% of them receiving a rating of Satisfactory. The report is titled: *Do CRA Ratings Reflect Differences In Performance: An Examination Using Federal Reserve Data*, <https://ncrc.org/do-cra-ratings-reflect-differences-in-performance-an-examination-using-federal-reserve-data/> We urge your agencies to create a ratings system with a strong accountability for examiners and clear guidelines that focus on the CRA's purpose: help banks serve LMI communities and people of color. The rigor of the large bank lending test should be extended to other tests. The ratings system should also meaningfully reflect distinctions in performance and make reasonable judgments regarding the percentage of a bank's loans to a group of borrowers or tracts in relation to its peers and the demographics of the area.

We thank you again for the opportunity to comment on the NPR. Public input and accountability must be integral parts of CRA and we applaud you for fostering it during this comment process.

We look forward to continuing to work with you on this important matter.

Respectfully,

A handwritten signature in blue ink, appearing to read 'Will Gonzalez', is written over a horizontal line.

Will Gonzalez
Ceiba, Executive Director